

VISIT...

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The difference between daytrading and investing: stock research tips for daytraders

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MODULE 1

● **Main Points:**

You can easily lose money daytrading the highest-rated growth stocks in the market (ex's: QCOM JDSU ADBE MSFT etc). *Daytrading requires us to use a much finer "magnifying glass" than investors and analysts use.*



Just because a stock has a ton of volume, has a great 120-day MA or uptrend, and is frequently talked about in the media does not mean it's the best stock for daytrading. Be sure to review the [stock-choosing tips page](#) to see if your stocks meet the criteria.



Mentally, this is a difficult concept to translate into practice as an intraday stock trader, which we are. According to Gary K., one of my students, "most of the time I feel like I'm looking for a needle in a haystack".

This is often the case, and it can be frustrating if you do not develop a lot of patience, much like a hunter or pool player does. Rushing and firing away trades without knowing what you're doing leads to trading losses. *It's ok to buy a low-rated stock (eg all "hold" ratings) if it's going up nicely on higher-than-average volume. It's bad to buy a high-rated stock (eg 7 "strong buy" ratings) if it's in a downtrend on average volume.* ([For analysts ratings click here; change the ticker in the location bar of your browser vs in the page itself \(faster\)](#))

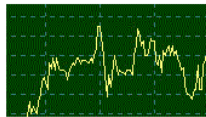
If you are saying to yourself "I don't know, it might go up, let me buy some", you are making a trading mistake. Only when you can say "this is a high-percentage play, I'd be surprised if it doesn't go up from here" should you put thousands of dollars of money into the stock. On the other hand, you can't wait for "all the planets to line up" or you'll be in the trade too late and buy the obvious, at which point sellers will come in and you'll lose as well. It takes balance and speed.

Examples:

WHICH OF THESE TWO STOCKS is better to buy as a daytrade this very moment, based on the buy/sell pattern alone? (we'll look at RSI/MA/Stochs/Volume in other lessons)

STOCK

#1:



Number of brokers recommending as:		Average Recommendation (strong buy) 1.00 - 5.00 (strong sell)	
Strong Buy	9		
Moderate Buy	7	This Week	1.44
Hold	0	Last Week	1.50
Moderate Sell	0	Change	0.06
Strong Sell	0		

STOCK #2:



Number of brokers recommending as:		Average Recommendation (strong buy) 1.00 - 5.00 (strong sell)	
Strong Buy	1		
Moderate Buy	4	This Week	2.30
Hold	5	Last Week	2.41
Moderate Sell	0	Change	0.11
Strong Sell	0		

(scroll to bottom of page for answer)

Answer:

For a DAYTRADE, Buy stock #2: Higher highs and higher lows (an ascending triangle, the stock went on up an additional 1 1/2 points from 25 to 27+ that day!). The analysts ratings are irrelevant to daytraders, except for an intraday upgrade/downgrade that could influence the momentum (or a gap play on the following day). This is difficult for most people to fully adopt into their daytrading.

For an INVESTMENT, Buy stock #1: If you want to buy and hold for 6 months or 2 years or something, well first of all you're in the wrong site lol. Analysts ratings mean nothing to us except to the degree that they influence trading for new upgrades/downgrades, and perhaps overall trend direction. We care about momentum, not ratings.



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